



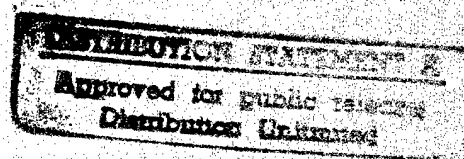
United States General Accounting Office

Report to Congressional Committees

April 1998

# U.S. COAST GUARD

## Use of DOD Funds for National Security Functions



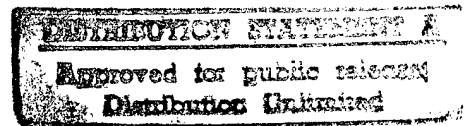
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National Security and  
International Affairs Division

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Congressional Committees



The Fiscal Year 1997 Department of Defense (DOD) Appropriations Act (P.L. 104-208) made \$300 million available for transfer from DOD to the Coast Guard. The National Defense Authorization Act for Fiscal Year 1997 (P.L. 104-201) required these transferred funds to be used only for the Coast Guard's performance of national security functions in support of DOD. This authorization act required us to review the use of the fiscal year 1997 transferred funds to verify that the transferred funds were used only for the performance of national security functions in support of DOD.

We determined whether the transfer of the DOD funds to the Coast Guard in fiscal year 1997 was made in accordance with the legislative provisions and examined the Coast Guard's expected use of the transferred funds for fiscal year 1997 and the Coast Guard's actual expenditure of them for national security functions in fiscal year 1997.

## Results in Brief

The \$300 million was transferred to the Coast Guard in compliance with the statutorily required certification by the Secretary of Transportation and the Secretary of Defense that those funds would be used only for the performance of national security functions. The funds were transferred to the operating expense account from which all Coast Guard programs and activities are paid. Since the Coast Guard's operating expense account is not set up to distinguish between national security expenses and civilian expenses, it is not possible to precisely identify how the transferred funds were used.

The Coast Guard estimated that it would spend approximately \$324 million in fiscal year 1997 for four selected national security functions in support of DOD. These functions included defense readiness, domestic support of ports and waterways, specific functions spelled out in a memorandum of agreement with DOD, and support of commanders in chief operation plans. These functions appear to be appropriately designated as national security functions in support of DOD. The Coast Guard also identified other substantial national security expenses in the areas of military personnel and assets that are not included in their estimated expenses. In addition, \$320 million was planned for drug interdiction, which the Coast Guard currently considers to be a national security function in support of DOD.

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In fiscal year 1997, the Coast Guard spent approximately \$254 million of the \$324 million budgeted for the above four national security functions. The Coast Guard stated that it spent less than expected in the four categories because of a shift in mission priorities to drug interdiction. Drug interdiction expenses totaled \$472 million for fiscal year 1997, exceeding the \$320 million budgeted. Combining the four national security functions with drug interdiction yields \$726 million, which is more than the \$300 million received from DOD.

## Background

The Coast Guard, as established by title 14 of the U.S. Code, is a branch of the U.S. armed forces. The Coast Guard is a service in the Department of Transportation (DOT), except when operating as a service in the Navy. The Coast Guard's role as a service in the Navy is limited to wartime or by presidential direction. Coast Guard personnel are trained as military personnel. For example, Coast Guard pilots attend the Naval Flight School at Pensacola, Florida. The Coast Guard's normal maritime missions include conducting search and rescue operations; providing port security; protecting the marine environment; enforcing fisheries, immigration, and drug laws; facilitating the safe navigation of vessels through U.S. waters; and maintaining defense readiness. Some of these functions have both civilian and defense implications.

The Coast Guard considers that its national security functions include training and participating in exercises with DOD components to achieve defense readiness, providing domestic support in the form of repairing and maintaining aids to navigation on strategic waterways and providing port safety and security at strategic ports, supporting the theater commanders in chief operation plans, and participating in drug interdiction efforts.

The Navy and the Coast Guard Board was formed in 1980 to provide high-level coordination and make recommendations on major policy issues, such as naval warfare capabilities, doctrine, and objectives. In 1992, a formal working group was chartered by the Board to define Coast Guard national defense roles, missions, and functions. This group recommended that maritime interception operations, deployed/foreign port control, and environmental defense operations be added to the above Coast Guard's national security functions. An October 3, 1995, Memorandum of Agreement signed by representatives of DOD and DOT formalized the working group's recommendation.

In addition, the Senate Committee on Armed Services report on the National Defense Authorization Act of 1997 includes drug interdiction as a national security function. That report stated that the DOD transfer payment should be used for "the national security functions of the Coast Guard, including its support of the DOD counter-narcotics program."

## DOD Transfer Payment

Since fiscal year 1982, Congress has annually authorized DOD funds to be transferred to the Coast Guard to help fund defense activities.<sup>1</sup> The fiscal year 1997 DOD Appropriations Act made \$300 million of DOD's funds available for transfer to the Coast Guard. For the first time, language in the authorization act (P.L. 104-201) attached specific conditions and limitations to the use of these funds. Section 1007(a) of the act required these transferred funds to be used only for the performance of national security functions in support of DOD. In addition, the funds were not to be transferred until the Secretary of Defense and the Secretary of Transportation jointly certified that the funds would be used only in accordance with this limitation.

The Secretary of Transportation and the Secretary of Defense made the required certification to the President of the Senate and the Speaker of the House on December 13, 1996. The transfer of funds was authorized on February 14, 1997, and the funds were transferred to the Coast Guard's operating expense account,<sup>2</sup> from which all its programs and activities are paid. Coast Guard officials responsible for managing the operating expense account stated that once the funds become an indistinguishable part of this account, expenses likewise are not able to be tracked by civilian or military purpose. Thus, it is not possible to precisely identify how the specific \$300 million was used.

## Expected National Security Expenses of the Coast Guard Exceed \$300 Million

The Coast Guard planned specific expenditures totaling approximately \$324 million in four national security functions for fiscal year 1997:

(1) Defense Readiness: Maintaining and exercising readiness to operate with DOD, including military training for operational units, joint exercises with the DOD, 100 liaison positions with DOD, and joint operations.

<sup>1</sup>Coast Guard activities are principally funded by annual appropriations through DOT. In fiscal year 1997, this amounted to \$3.4 billion. Lesser amounts are received from other sources, including user fees such as the Marine Safety Program.

<sup>2</sup>The \$300 million transfer payment was offset by a charge of \$282,000, levied by section 8138 of the DOD Appropriation Act. The charge was the Coast Guard's cost for force protection from terrorism. The net sum of \$299.718 million was the actual amount transferred to the Coast Guard.

(2) Domestic Support: Maintaining aids to navigation and port safety and security missions focusing on the 124 domestic waterways and 13 strategic ports designated as "militarily critical."

(3) Missions Specified in Memorandum of Agreement Annexes: Performing the missions of maritime interception operations in support of sanctions against another nation or group of nations; environmental defense operations where the Coast Guard responds to environmental disasters overseas that could disrupt military actions; and deployed port operations, security and defense in support of DOD commanders in chief.

(4) Support for Commanders in Chief Operation Plans: Operating and maintaining Coast Guard assets for use under DOD plans for two regional conflicts that may occur simultaneously.

These functions appear to be appropriately designated as national security functions in support of DOD.

Beyond the \$324 million expected to be spent for the four functions listed, \$320 million was budgeted for drug interdiction. The Senate Committee on Armed Services Report on the Defense Authorization Act for Fiscal Year 1997 stated that the DOD transfer payment should be used for "the national security functions of the Coast Guard, including its support of the DOD counter-narcotics program." On the basis of the senate report's language, the Coast Guard currently considers its drug interdiction activities as a national security function in support of DOD.

## Use of Funds in Fiscal Year 1997

We reviewed total Coast Guard fiscal year 1997 operating expenditures for the designated national security functions and determined that we could not isolate all expenditures to support national security functions. Since some functions provide both national security and civilian benefit, the Coast Guard had to estimate the amount of those functions that could be attributed to national security. For example, since the militarily critical aids to navigation make up about 22 percent of all the aids to navigation that the Coast Guard maintains, 22 percent of the aids to navigation program is estimated to be in support of DOD. Likewise, the 13 strategic ports form 27 percent of all ports covered by the Coast Guard. Thus, 27 percent of the domestic port safety and security program is attributable to DOD support costs.

Using this methodology, the Coast Guard estimated that it spent \$726 million for the designated national security functions in fiscal year 1997 contrasted to \$594 million in 1996 (see table 1). The fiscal year 1997 expenditures include approximately \$254 million for the four designated categories outlined above and \$472 million for drug interdiction. This is compared with \$292 million and \$302 million for the four categories and drug interdiction in 1996.

**Table 1: Estimated Coast Guard Expenditures for Operating Expenses in Support of National Security for Fiscal Years 1996 and 1997**

Dollars in millions			
National security function	FY 1996 expenditures	FY 1997 budgeted	FY 1997 expenditures
Defense readiness	\$68.186	\$88.426	\$34.813
Domestic support			
Aids to navigation	99.630 <sup>a</sup>	102.602	95.604 <sup>a</sup>
Port safety	23.312 <sup>a</sup>	24.746	18.003 <sup>a</sup>
Port security	0.869 <sup>a</sup>	2.406	2.307 <sup>a</sup>
DOD Memorandum of Agreement			
Port security units	2.036	6.330	4.834
Environmental defense strike teams	11.288	10.092	16.453
Maritime interception	9.080 <sup>b</sup>	9.344	2.248 <sup>b</sup>
Support commanders in chief operation plans	77.535 <sup>b</sup>	80.309	79.946 <sup>b</sup>
<b>Subtotal</b>	<b>\$291.936</b>	<b>\$324.255</b>	<b>\$254.208</b>
Drug interdiction	302.298	319.737	471.741
<b>Total</b>	<b>\$594.234</b>	<b>\$643.992</b>	<b>\$725.949</b>

<sup>a</sup>Estimates based on Coast Guard's allocation of expenses between national security and civilian functions.

<sup>b</sup>Amounts estimated because not all assets are cost centers in the Coast Guard's accounting system.

Source: U.S. Coast Guard.

The Coast Guard states that it has taken a conservative approach in defining the preceding categories as national security related. Although not included in the table, Coast Guard officials believe that some portion of other budget items, such as military personnel costs and the cost of operating and maintaining aircraft and cutters (its "ready force in being"), should also be considered as national security related.

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## Agency Comments

We provided a draft of this report for review to the Coast Guard, DOT, and DOD, and they had no comments.

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## Scope and Methodology

To identify the amount of fiscal year 1997 funds that DOD transferred to the Coast Guard for use in national security functions, we interviewed Coast Guard and DOD officials and reviewed financial documents. To identify the limitations placed upon the Coast Guard and DOD concerning the availability and use of the funds, we reviewed the appropriations and authorization legislation and interviewed Coast Guard and DOD officials. To analyze how the Coast Guard budgeted and spent fiscal year 1997 funds for support of national security functions, we examined the Coast Guard's budget and financial documents and verified the allocation methods. Since the expenditures that the Coast Guard provided are a combination of actual and allocations of actual costs, figures representing total costs are not precise.

We conducted this review from June 1997 to February 1998 in accordance with generally accepted government auditing standards.

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We are sending copies of this report to the Secretaries of Defense and Transportation, the Commandant of the Coast Guard, the Director of the Office of Management and Budget, and other appropriate congressional committees. We will make copies available to others upon request.

If you should have any questions, please contact me on (202) 512-5140 or my Assistant Director, Mr. William Meredith, on (202) 512-4275. Other major contributors to this report are listed in appendix I.



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Director, Military Operations  
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List of Congressional Committees

The Honorable Strom Thurmond  
Chairman

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Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable John McCain  
Chairman

The Honorable Ernest Hollings  
Ranking Minority Member  
Committee on Commerce, Science, and Transportation  
United States Senate

The Honorable Ted Stevens  
Chairman

The Honorable Daniel K. Inouye  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Richard C. Shelby  
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The Honorable Frank R. Lautenberg  
Ranking Minority Member  
Subcommittee on Transportation  
Committee on Appropriations  
United States Senate

The Honorable Floyd C. Spence  
Chairman

The Honorable Ike Skelton  
Ranking Minority Member  
Committee on National Security  
House of Representatives



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The Honorable C. W. Bill Young  
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The Honorable Frank R. Wolf  
Chairman  
The Honorable Martin Olav Sabo  
Ranking Minority Member  
Subcommittee on Transportation and Related Agencies  
Committee on Appropriations  
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